Testimony on House Bill 2127 – A Engrossed

Senate Committee on Finance and Revenue

May 5, 2015

Presented by: Tom Linhares

Representing the Oregon State Association of County Assessors

Mr. Chair and members of the committee, thank you for this opportunity to speak on behalf of the Oregon State Association of County Assessors (OSACA) in support of the A Engrossed version of House Bill (HB) 2127.

My name is Tom Linhares. I have worked in the assessment and taxation field for over 30 years and I am here today representing OSACA.

As you know, publicly owned property is exempt from property taxes. This includes property owned by the federal government (ORS 307.040) and state and local government (ORS 307.090).

Also, under ORS 311.410 property that is taxable on July 1 remains taxable for the entire tax year (July 1 through June 30) while property that is exempt on July 1 remains exempt for the entire tax year.

The problem that HB 2127A addresses is when a property owned by a taxable owner is sold or otherwise transferred to an exempt owner and there are property taxes that are or will become payable that have not been paid. These delinquent taxes remain a lien on the property and continue to accrue interest charges. However, since the governmental entity now has title to the property the county cannot collect the property taxes on the property. The delinquent property taxes remain on the tax rolls and the county cannot foreclose on the property.

There is little if any incentive for either party to ensure that legally assessed property taxes are paid prior to the sale.

Some examples include:

Multnomah County; a large tract of property that had been exempt under ORS 307.150 as being held for use as cemetery property was disqualified and $2,041,670 in back taxes were added to the assessment & tax roll. The property was sold in 2011 after July 1 but before the assessment and tax roll was certified to the City of Portland Parks and Recreation Department. The City refused to pay the taxes. There is now a total of $3,048,894 in taxes and delinquent interest due.

Coos County; a property was sold to the Port of Coos Bay in 1991. There is now over $21,300 in taxes and interest due.

Wasco County; In August 2014 the US Forest Service purchased a piece of property. The title company did in fact collect back taxes that would be payable in November due to a disqualification from farm use deferral. What the title company failed to realize was that since the sale occurred after July 1, property taxes would be assessed for the 2014-15 tax year. The property was also subject to Oregon Department of Forestry's fire patrol assessment. The result was that the title company collected $6,057.58 and paid this amount to the county tax collector. However, the total tax bill was $7,553.23. In the case the title company paid the balance due.

Many other counties have similar situations. HB 2127A would address these in three ways:

First; Section 1, subsections (2): the bill provides that a county clerk may not record a deed transferring property to a public body whose property is exempt under ORS 307.040 or 307.090 unless the deed is accompanied by a newly created certificate signed by the county assessor that all taxes fees and interest have been paid (see Section 1. subsection (5). This certification will be similar to the county assessor signing off on subdivision and partition plats prior to recording.

Second; Section 1, subsection (4); allows authorized agents - title companies and attorneys – to collect all of the property taxes, fees and interest that "have been or will be charged…" against the property prior to distribution of the sale proceeds to the seller. These amounts would be held in trust and subsequently paid to the tax collector of the county.

Third, Section 1, subsection (6); any amounts that are not paid and remain delinquent after the sale are considered a "personal debt" of the person that transferred the property and therefore can be collected in the same manner as business personal property taxes. This avoids the problem of not being able to foreclose on the real property.

HB 2127A creates new methods for ensuring that properly assessed taxes, fees and interest charges can and will be collected on behalf of the county, cities, school districts and special districts in the county.

It is our intention that these additional methods will ensure that the taxable owner at the time the property tax bill was generated will ultimately be responsible for paying the property taxes.

Thank you again for this opportunity to speak on behalf of what we feel is an important bill. I would be more than happy to answer any questions you might have.